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VIA E-MAIL (secretary@cftc.gov)

RECORDS SECTION

May 25, 2004

Jean A. Webb, Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581

COMMENT

Re: *RIN 3038-AC06 – Foreign Futures and Foreign Options Transactions*

Dear Ms. Webb:

On behalf of Citigroup Global Markets Inc. (“CGM Inc.”), I am pleased to submit these comments on proposed amendments to Part 30 of the Commission’s rules, as published in the *Federal Register* on April 6, 2004. The proposed amendments, if adopted, would clarify provisions in Part 30 that relate to registration requirements for foreign futures and options brokers by codifying certain interpretations taken by the Commission’s staff.

CGM Inc. supports the proposed amendments, and as described below these comments address only a technical aspect of the rule proposal. In particular, the Commission is proposing to amend rule 30.4(a) to clarify that:

“a foreign futures and options broker (as defined in § 30.1(e)) is not required to register as an FCM:

- (1) in order to accept orders from or to carry a U.S. futures commission merchant foreign futures and options customer omnibus account, as that term is defined in Rule 30.1(d).”

CGM Inc. believes that the rule as quoted above accurately reflects current Commission rules and staff interpretations. However, the preamble to the rule proposal describes the scope of proposed rule 30.4(a) as limited to “[foreign futures and options brokers] that carry foreign futures and foreign options customer omnibus accounts of U.S. FCMs, but have no direct contact with the customers whose accounts comprise the omnibus accounts” (emphasis added) (69 Fed. Reg. 17998, 17999 (April 6, 2004)). The emphasized phrase could be read as contradicting existing Commission rule 30.12, which permits certain foreign firms to accept and to execute orders directly from certain U.S. customers without having to register with the Commission. Specifically, rule 30.12 permits such direct contact by U.S. customers with foreign brokers in instances where the customers are “eligible swap participants” or certain managed accounts, and have been

authorized by a qualifying U.S. FCM to place orders with the foreign broker for the FCM's customer omnibus account. In those circumstances, the foreign broker accepting orders directly from the authorized U.S. customers is exempt from registering with the Commission.

We do not believe that the Commission intends for the proposed rules to affect in any way the scope of rule 30.12, and, as noted, the apparent contradiction appears only in the preamble and not the text of the proposed rule itself. Therefore, we respectfully request that if the Commission adopts the proposed amendments to rules 30.4(a), it clarifies in the accompanying Federal Register release that the amendment is not intended to affect the scope of rule 30.12.

If you have any questions, please feel free to telephone me at 212-816-3336.

Sincerely,

Robert F. Klein
Director and Associate General Counsel

cc: Lawrence B. Patent (lpatent@cftc.gov)
Susan A. Elliott (selliott@cftc.gov)